

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6993**

**BILL NUMBER:** HB 1312

**NOTE PREPARED:** Jan 30, 2006

**BILL AMENDED:** Jan 30, 2006

**SUBJECT:** Various Education Matters.

**FIRST AUTHOR:** Rep. Behning

**FIRST SPONSOR:**

**BILL STATUS:** 2<sup>nd</sup> Reading - 1<sup>st</sup> House

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) *Buses:* This bill allows the use of school-owned buses for nonprofit organizations under certain conditions.

*Nurses:* The bill allows school corporations to independently contract for school nurses and other certified or licensed personnel to provide student services and health services. It removes the requirement that a school nurse must have a bachelor's degree in nursing.

*Contracts:* The bill makes statutes governing nonrenewal of contracts applicable to assistant superintendents, principals, assistant principals, and directors of special education consistent with statutes governing the nonrenewal of a superintendent's contract. It provides that an initial school superintendent contract must be for a term of at least 36 months. The bill allows subsequent contracts to be of any duration.

The bill provides that a nonpermanent teacher must be notified by June 1 that the school corporation's governing body will consider the nonrenewal of the teacher's contract. (The notification deadline under current law is May 1.)

*Public Works Projects:* The bill increases the cost of public works projects subject to the bidding process.

*Skilled Maintenance Personnel:* The bill allows payment of skilled maintenance personnel salaries and fringe benefits from the Capital Projects Fund for certain school corporations.

*School Building Inspection Violations:* The bill allows up to one year or the school corporation's next budget

year for school corporations to abate school building inspection violations.

*Attendance Officers:* The bill removes the requirement for state and local attendance officers.

*Twenty-First Century Scholars:* The bill extends eligibility for the Twenty-First Century Scholars Program to students in grade 7.

*Compulsory Attendance:* The bill repeals superseded compulsory school attendance provisions.

*Deregulation:* The bill allows school corporations to declare themselves deregulated and waive certain statutes and rules.

*Instructional Resources:* The bill requires the State Board of Education annually to: (1) analyze state statutes, rules, policies, and relationships to determine those that restrict school corporations and public schools from allocating resources to, and focusing efforts on, student instruction and learning; and (2) report the results of the analysis to the State Superintendent of Public Instruction, the General Assembly, and the Governor.

*Teacher Salaries:* The bill provides that a teacher must be notified on or after May 1 that the salary schedule may be changed by the school corporation. (The notification deadline under current law is May 1.)

*Free Breakfast Program:* Allows a school corporation to implement a breakfast program at a school building if at least 15% (rather than 25%) of the students enrolled at that school building during the prior school year qualified for free or reduced price lunches under federal guidelines.

**Effective Date:** July 1, 2006.

**Explanation of State Expenditures:** *Twenty-First Century Scholars:* The bill changes the grade for eligibility to enter the program from Grade 8 to Grade 7. The bill should not increase the long-term cost of the program, but could increase the costs in the first year of providing information and enrolling Grades 7 and 8 instead of just Grade 8. The increase would probably be minor.

*Background:* The General Fund appropriations for the 21<sup>st</sup> Century Scholars Program have been the following.

	FY 2004	FY 2005	FY 2006	FY 2007
<b>Administration</b>	\$2,586,443	\$4,086,443	\$2,000,000	\$2,000,000
<b>Awards</b>	\$15,996,500	\$18,402,449	\$18,402,449	\$19,171,429

*Attendance Officer:* The elimination of the State Attendance Officer could reduce state expenditures, but the savings are probably minor. The state would still be collecting attendance information.

*Instructional Resources:* The requirement that State Board of Education to annually analyze state statutes, rules, policies, and relationships to determine those that restrict school corporations and public schools from allocating resources to, and focusing efforts on, student instruction and learning should have minor state

impact.

(Revised) *Free Breakfast Program:* Under current law, a school building that has 25% of enrollment in the free or reduced price school lunch program is required to implement a school breakfast program. Under current law, the Department of Education is required to implement and process all applications for a school corporation to the federal government for school breakfast reimbursement. The Department may require reviews of additional schools that were to implement a breakfast programs under the bill. However, it is likely the Department would be able to accommodate this provision within existing staff and resources.

*Background:* As of January 30, 2006, the Department of Education had 84 vacant positions valued at about \$2.6 M. The Department reverted \$1 M to the state General Fund in FY 2005.

### **Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Buses:* Allowing the use of school-owned buses for nonprofit organizations may increase a school's transportation costs. However, since the school can charge for the cost of fuel and may provide the use of the buses, but is not required to, the cost is probably minor.

(Revised) *Nurses:* Allowing schools to contract for school nurses and other licensed personnel to provide student health services and to hire registered nurses without a bachelor's degree should reduce school costs.

*Public Works Projects:* The increase in the dollar value of public works projects that are subject to the bidding process from:

1. \$75,000 to \$100,000 in a consolidated city, second-class city, a county containing a consolidated city or second-class city, or a regional water or sewage district.
2. \$50,000 to \$75,000 in a third-class city or town with a population of more than 5,000 or a county containing a third-class city or town with a population of more than 5,000.
3. \$25,000 to \$50,000 for all other political subdivisions.

The bill could reduce the bidding costs on small projects for all units of government. The reduction is unknown.

*Skilled Maintenance Personnel:* Allowing payment of salaries and fringe benefits for skilled maintenance personnel from the capital projects fund for positions that existed on January 1, 2006 could increase the expenditures from the capital projects fund and allow general fund monies currently used for skilled maintenance workers to be used for other purposes. Existing statute provides that a school must have expenditures of at least \$600,000 to be able to pay for them from the Capital Projects Fund. Currently, the positions that can be funded by the Capital Projects Fund is limited to the skilled craftsmen positions on January 1, 1993 and the \$600,000 level of expenditures. Therefore any new personnel added from January 1, 1993 until January 1, 2006 would be able to be counted as part of the required level of expenditures. About 18 schools currently qualify under this provision and pay salaries of about \$7 M for skilled craft employees from their capital projects funds.

*Contracts:* The provisions making the renewal of contracts for assistant superintendents, principals, assistant principals, and directors of special education consistent with contracts with superintendents should not have any fiscal impact. The requirement that the superintendent's contract be for at least 36 months should not have any fiscal impact.

The delay in notifying teachers if a school does not intend to renew a contract could reduce the number or

termination notices a school would have to send.

*Attendance Officers:* Removing the requirement that the school designate an attendance officer could reduce school costs, but the savings are probably minor.

*School Building Inspection Violations:* Allowing schools to fix a violation resulting from a State Fire Marshal inspection during the next school budget would give schools flexibility in budgeting and would eliminate the need to defer other planned expenditures to abate violations.

(Revised) *Deregulation:* The provision allowing schools to declare themselves deregulated and waive certain statutes and rules could reduce school administrative expenses. The bill lists the statutes that a deregulated school must still comply. They include collective bargaining, student discipline, the student calendar, health and safety measures, immunizations, retirement, contract with teachers, free breakfast, and administrators laws, school finance. The possible impact is unknown.

(Revised) *School Breakfast:* Approximately 133 school buildings currently do not offer school breakfasts that were at or above the 15% and below the 25% lunch participation rate. These additional buildings would be required to offer the breakfast program under the bill.

Currently, the federal government reimburses school lunch and breakfast programs at the cost to provide the meals to students.

*Background:* According to Department of Education statistics, approximately 1,542 school buildings and school corporation-designated sites participate in the school breakfast program.

The federal government reimburses school lunch and breakfast programs at the cost to provide the meals to students. Current rates of reimbursement (July 1, 2005, to June 30, 2006) for the school breakfast program from the federal government are as follows.

School Breakfast Program	(Non-Severe Need) Rates	(Severe Need) Rates
Paid	\$0.23	\$0.23
Reduced Price	\$0.97	\$1.21
Free	\$1.27	\$1.51

It is estimated that the 133 additional schools that would be required to enter the school breakfast program under the bill would generate approximately 126,500 breakfasts per day. The estimates on the cost to provide the additional breakfasts for one school year (180 days of instruction) are provided in the following table, which illustrates the **federal** impact to reimburse at the Non-severe need rates.

<b>School Breakfast Type</b>	<b>Estimated Additional Breakfasts (Under the bill)</b>	<b>Estimated Annual Federal Reimbursement (180 school days)</b>
Paid	61,870	$61,870 * \$0.23 * 180 = \text{\$2.6 M}$
Reduced Price	12,910	$12,910 * \$0.97 * 180 = \text{\$2.3 M}$
Free	51,720	$51,720 * \$1.27 * 180 = \text{\$11.7 M}$
Total Estimate	126,500	<b>\$16.6 M</b>
*Note: Totals may not add precisely due to rounding.		

*Secondary Impact:* The above estimates assume the reimbursement would cover the cost of the additional breakfasts. However, it is unknown if schools that currently do not have a breakfast program but have a free lunch participation rate of 15%, would have other costs for food preparation staff and materials, or need staff to supervise students.

**Explanation of Local Revenues:** (Revised) *School Breakfast:* The additional schools, under the bill, would be able to apply for reimbursement via the Department of Education for the cost to provide the breakfasts at the federal reimbursement rate.

**State Agencies Affected:** State Student Assistance Commission; Department of Education; State Fire Marshal.

**Local Agencies Affected:** All.

**Information Sources:** Department of Education Databases.

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